

Statement of Congressman Ron Kind
H.R. 2738, The U.S.-Chile Trade Agreement Implementation Act
July 23, 2003

Mr. Chairman, I rise today in support of the Chile-U.S Free Trade Agreement (FTA). While I maintain reservations about certain sections of this agreement, overall I believe that this FTA succeeds in lowering tariffs on American goods entering Chile and will benefit Wisconsin and the United States.

As our nation leads the world into the 21st century, we should not shy from opportunities to guide and expand global trade. Chile has persevered as a model of successful, pro-trade economic growth in a region scarred by economic turmoil. Our enhanced engagement with Chile, symbolized in the free trade agreement, is a necessary commitment to stability and economic prosperity in Latin America, while at the same time serving to expand American export opportunities.

The U.S.-Chile Agreement will essentially level the playing field for U.S. companies and workers. Currently, Chile imposes a uniform tariff of six percent on American exports. Under this agreement, the tariff will be eliminated immediately on approximately 85 percent of U.S. exports. Tariffs on the remaining exports will phase out over the next four to twelve years. In comparison, 65 percent of Chile's exports enter the United States duty-free under the Generalized System of Preferences program, with the remaining goods facing an average duty of 0.5 percent.

With the United States economy still in a slump, the consequences of not pursuing an FTA with Chile are extreme for American workers. In 2001, exports from the United States to Chile totaled over \$3 billion. This was 17% of all imports into Chile and made the U.S. Chile's largest single country trade partner. Over the past 2 years, however, the percentage of American imports into Chile has decreased as other international competitors have completed FTA's with Chile, including Mexico, Canada, Central America, European Union, and South Korea, and have taken over as major suppliers to the Chilean market. As a result, the U.S. has seen its share of the Chilean market drop by one third, and its bilateral trade position reverse from surplus to deficit.

This decline in market share is evident in my home state of Wisconsin. For example, in 2000, Wisconsin exports to Chile totaled over \$120 million – in the top quarter of all U.S. states. Of this amount, over \$90 million was in industrial machinery. However, in 2002, Wisconsin exports to Chile declined to \$72 million total and \$47 million in industrial machinery.

The FTA with Chile will benefit Wisconsin in additional ways, including opening up the Chilean market to U.S. agriculture imports. Chile's tariffs on dairy imports from the U.S. will drop from as high as ten percent to zero in four years. The National Milk Producers Federation expects that exports will increase by several million dollars during the first few years of the agreement, and continue to grow down the road.

As I mentioned earlier, I do have concerns with this agreement, but on its merits, I believe the FTA with Chile addresses a number of important issues and will benefit the American economy. Today's trade environment is constantly changing, with non-tariff trade issues impacting all aspects of our economy and law. Through 14 rounds of negotiations over 2 years, negotiators were able to hammer out agreements on very complicated and important issues including intellectual property, e-commerce, agriculture, market access, and government procurement. In these respects, this FTA addresses growing challenges facing international trade in the 21st century.

Controversy remains on a few very important aspects of any trade agreement – those dealing with labor and environment. While these provisions are some of the most difficult to find agreement on with potential trade partners, I, along with many in Congress, believe trade agreements can serve to raise labor and environmental standards in developing nations and that such provisions must be included in bilateral trade agreements.

While differing from the labor provisions in the Jordan agreement, the labor language in this bill, requiring Chile to enforce its labor laws or be subject to penalty, is acceptable because there is wide agreement that Chile's labor laws are consistent with high International Labor Organization standards and are systematically enforced. In addition, there is wide agreement that, while possible, it is very unlikely that Chile would ever lower labor standards to entice trade.

I, along with many members, also remain concerned with the inclusion of immigration policy in a fast tracked trade bill. While the USTR argues that the temporary workers provisions can be an aspect of services trade, I believe that Congress must thoroughly debate any changes to immigration policy. These objections were strongly conveyed by my colleagues and I to the USTR, and as a result the implementing language before us includes language placing certain H1-B visa restrictions and caps on the temporary worker provisions in this agreement that were previously excluded.

Trade agreements cannot be one-size-fits-all, and this comprehensive bilateral agreement conforms to the characteristics of Chile and the United States. With an open and developed economy grounded in market-based principles, a strong and growing middle class, a credible labor movement, and laws respecting human rights, Chile is a model trading partner. It is in the strategic interest, and economic interest of the United States to engage Chile and complete our nation's 5th bilateral free trade agreement. I urge my colleagues to support this agreement.

